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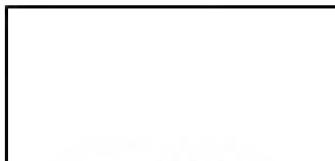
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FAR EAST

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1. Japan reaches tentative agreement with Philippines on reparations:



Prime Minister Hatoyama has accepted the Philippines' latest proposal, that Japan pay \$550,000,000 in reparations, provided the chief negotiator for the Philippines can furnish assurance that it has his government's full approval. Foreign Minister Shigemitsu told Ambassador Allison that payments would extend over 20 years, at the annual rate of \$25,000,000 for the first ten years and \$30,000,000 for the second ten. All payments would be in goods and services, except for \$20,000,000 in Philippine pesos.

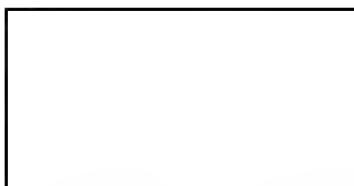
Shigemitsu commented that this settlement would be most difficult for Japan but would be beneficial in the long run.

Comment: Any increase over Japan's original offer of \$400,000,000 would automatically increase its obligations under its reparations agreement with Burma and result in higher demands from Indonesia. Hatoyama may have overridden Finance Ministry opposition to the agreement in the hope that a settlement would pave the way for full diplomatic relations with the Philippines and Indonesia, and for expanded trade and investments in Southeast Asia.

There is no assurance that the Philippine Senate would approve a settlement on the basis of a \$550,000,000 payment.

SOUTHEAST ASIA

2. French considering early repatriation of all troops from Indochina:



The chief of staff of France's armed forces, General Guillaume, told Ambassador Dillon in Paris on 31 May that he personally favors

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rapid repatriation of the entire French Expeditionary Corps from Indochina for use in Europe and North Africa. To help in reaching a decision on how rapidly repatriation can continue, and on whether to leave some French troops, possibly 20,000, in Indochina until the summer of 1956, Guillaume is planning a trip to the Far East next month, returning by way of Washington in July.

The secretary general of the French Foreign Ministry told Dillon on 31 May that one of the strong arguments within the government in favor of prompt and total repatriation of the expeditionary corps was the desire to bring NATO forces back to strength as promptly as possible.

Comment: Premier Faure raised the question of complete withdrawal with Secretary Dulles in early May. At that time the French planned to continue repatriating troops until mid-summer, when the corps would be down to 75,000 men, and to decide in the meantime on the withdrawal rate thereafter. France has been making strenuous efforts to get additional helicopters for North Africa, and the question of accelerated troop withdrawals may have been raised now as a bargaining point.

WESTERN EUROPE

3. Trieste Communists critical of Soviet approaches to Yugoslavia:

Vittorio Vidali, secretary general of the Trieste Communist Party, has declared he will not change his party's hostility toward Tito and the local Titoists even if the Italian Communists try to force him to do so,

Khrushchev's Belgrade speech admitting Soviet responsibility for the break with Tito was the greatest political debacle in the history of world communism. Communist trade unions in Trieste reportedly have decided to give their full support to Vidali's position.

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On 1 June Luigi Longo, acting chief of the Italian Communist Party, publicly expressed "amazement" at the position taken by Vidali's party and appealed to it to reconsider "its hasty and superficial judgment." [redacted]

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Comment: Following Tito's break with the Cominform in 1948, Vidali's party maintained intransigent opposition to the pro-Tito Communist Party in Trieste and to all other local groups that sided with Tito. There has been some abatement in this opposition, at least publicly, since last fall.

There appears to be no other situation where the party leadership would follow the example of the Trieste party and take the extraordinary step of publicly balking at following Soviet leadership.

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4. Italian Communist reaction to Soviet-Yugoslav talks:

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[redacted] Italian Communist leaders are speculating that Moscow's current attitude toward Tito may portend a new policy of officially cutting ties between the Soviet Communist Party and the Communist parties of other countries, [redacted]

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[redacted] They believe such a break, which might include dissolution of the Cominform, would serve both to lessen world tensions further and to render the Western European Union purposeless as an anti-Communist instrument. It would also allegedly facilitate the entrance of the Communist parties into the national life of their respective countries. [redacted]

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Comment: A dissolution of the Cominform, whose functions apparently have been largely informational, would be in line with the approaches to Tito and current Soviet foreign policy tactics. Any "official" termination of Soviet ties with foreign Communist parties would be only pro forma.

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